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NATIONALIZATION IN LATIN AMERICA: ITS IMPLICATIONS FOR U. S. POLICY

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Chapter I
INTRODUCTION

Today, Latin America is at a stage of rapid and phenomenal growth. Along with its economic expansion has been the increasing desire of its leaders for national prestige and for more voice at the conference tables of nations. Yet Latin America is still immature politically; in many ways it is even irresponsible. In our relations with the Latin American Republics we must remember, too, that they are now trying to do in a very short space of time what we in the United States were fortunate enough to be able to spread over a period of a century and a half.

To promote its economic growth, Latin America is still in a great measure dependent upon assistance from the more economically advanced countries of the world. In their present quests for credits and investments to help develop their economies, Latin American countries have naturally turned to the United States. Yet time and again certain of the Republics have instituted extreme measures of economic nationalism which have served to discourage foreign financial venture which otherwise might have served these countries well. Among such steps has been the nationalization of industries.

Now, "nationalization" is not popular in these United States. When many of us hear the word or see it in newsprint, we sense in ourselves an immediate feeling of annoyance and often of anger. Expropriations of oil properties and of land in Mexico, of tin properties in Bolivia, of land holdings in Guatemala, have all made us keenly aware of a particular meaning of nationalization; they have served to give it a connotations of socialism and of the outright confiscation of property belonging to private individuals.

Furthermore, nationalization is the product of an economic philosophy different from our own one of free enterprise. But however we may feel, as individuals or as a nation, toward nationalization, it remains a fact that it now exists as an economic policy in many Latin American countries. The best estimates for the immediate future are that it not only will remain, but that nationalization of industry in Latin America will be extended.

Nationalization is defined by Webster as "the taking over by the state of private property, industrial organizations, or the control of any class of labor, etc. in the interests of the state." By usage today this definition has been broadened; in addition to the strict connotation of state ownership and control, we say that a state has nationalized a particular industry if ownership in that industry is reserved for the nationals of that state, to the exclusion of foreign private capital.

State ownership of enterprise certainly is socialistic. Yet, in spite of this, we find in most democracies numerous activities which

are owned and operated by the state. To a certain degree, these may be considered as nationalized. There are numerous reasons in any state system why the government should own and control certain enterprises, and the fields wherein such activity is valid are many and varied. Post offices and postal systems, highways, schools, fire protection, water and sewerage, and monetary systems are some of the obvious areas in which we have come to expect and to want government activity. Banking controls, trade restrictions, and the regulations for the close supervision of the many fields of public utilities are all necessary functions of government even in free enterprise countries.

Underdeveloped countries require even more government activity: the development of transportation systems, of port facilities, and of basic utilities are fields not usually attractive to the private investor, such investments requiring large outlays with small immediate returns. Consequently we find government enterprise in all of these fields, not always to establish state control but frequently for the creation of a base on which economic expansion can be achieved. In these, nationalization is recognized as performing useful and beneficial functions.

On the other hand, nationalization has been the tool for government interference in fields which most democratic countries leave open for private enterprise. Whether the motivation is political or economic, it is with this type of nationalization that our economic philosophies do not agree, and it is this type of nationalization which can come into conflict with our national policies, and thus influence our relations with the nationalizing state.

It is not the purpose of this paper to present the pros and cons of government effectiveness in owning and operating enterprises, nor to select the fields in which government should be active. These have been the subject of much and continuing study. The experiment now underway in Great Britain is of course the foremost test of nationalization in a democratic country. And even now Britain seems to be unsure; iron and steel have recently been denationalized, while at the same time there have been rumors that land may soon be nationalized.

What this paper will do is to investigate nationalization in Latin America in its broadest sense, and bring into focus its implications for our relations with those Republics.

Chapter II
LATIN AMERICA AND THE UNITED STATES

Why, then, does nationalization in Latin America concern us here in the United States? This is answered simply; we are vitally interested in Latin American economic stability and growth. Nationalization has had a profound influence on both. That many nationals of the United States are engaged in enterprise in Latin America, and that many of

these nationals have felt the effects of nationalization are sufficient cause to justify our concern: But also it is important for us to look at Latin America from a broader viewpoint, to determine in general terms why the United States interests should not just move out if Latin Americans see fit to institute measures which are not to our liking or to our best interests as we see them.

The question then becomes: What does Latin America mean to the United States?

There are four specific subject areas in which the answers to this question may be found, and it is entirely appropriate to review them here. The full impact of Latin American nationalizations cannot be appreciated, nor will an evaluation of our policy decisions with respect to nationalizing countries be valid except in the light of these considerations. They are: (1) our need for Latin American raw materials sources; (2) our requirement for Latin American markets for trade; (3) our desire to stop Communist expansion; and (4) considerations of a moralistic nature.

Raw Materials

Although bases for our armed forces seem of first concern in a defense system of the Western Hemisphere, of equal importance is the problem of our supply of strategic raw materials. Latin America is an important source for these materials, the "resources for freedom", materials vital in the prosecution of any war in which we might engage, and vital to a prosperous peacetime economy.

We found during and after World War II that the United States is self-sufficient in only about nine of thirty-eight minerals vital to U. S. industry. 1/ On January 1, 1952, the United States stockpile included seventy-four items, all items which must be obtained from foreign sources or which are not plentiful in domestic supply for an emergency. Of these, there are ten for which we are completely dependent on foreign sources. Nine of the ten are found in Latin America; the remaining one will soon be in adequate supply from domestic sources. Of fifteen other items for which we depend partially on foreign sources, all are found in Latin America.*

The sources in Latin America of most of these raw materials have not yet been fully developed. Since our own mineral reserves are not adequate and since we cannot always count on the present major sources in the Belgian Congo, Malaya, and Europe, it is to our national interest to develop aggressively these natural resources in Latin America. Both the Paley Report and the Gray Report emphasize this need.

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* For example, 100% of our vanadium imports are from Latin America; 95% of quarts crystals; 60% of copper; over 50% of antimony, beryllium, bismuth and lead. In addition oil, manganese, sugar, coffee and cocoa are imported in large quantities from Latin American sources.

We must adjust our policies with respect to Latin America so that its raw materials are available to us at all times, so that these sources will have been developed sufficiently to insure adequate quantities and a productive capacity to meet our rising peacetime needs and our emergency demands.

Export Markets

And secondly, from a materialistic point of view, is trade. We cannot ignore the potential as well as present value of Latin America to provide markets for our exports. In 1950, Latin America accounted for one-fourth of our total trade. * The expanding economy of the United States is dependent on foreign trade. We cannot be prosperous without it. As long as production of war materials keeps industry going, we are assured of full utilization of our productive capacity. But in the long run we must look abroad for markets. Latin America is the logical direction for us to look; Germany and Britain require markets in Europe and in the Commonwealth to insure stability for their economies, Japan must trade with Asia. If we agree, and we must, that it is to the national interest of the United States that all free nations be strong and prosperous, we must avoid any measures which might damage their economies. Avoiding competition by directing our trade south is one way to assist in the economic strengthening of our allies.

To Deter Communist Expansion

The third area concerns communism. Latin America is now a fertile area for communist penetrations and expansion. The Communists know it and are trying their best to exploit this fact. Economic instability and political instability are normal in many of the Republics, illiteracy is general. Although potentially rich in raw materials and resources, most Latin American countries have not yet been able to raise the living standards of the masses from extreme poverty. The figures of per capita national income at once reveal the low standards under which most of those peoples must live; the average is less than $250 as compared with $1,453 for the United States. These standards of living must be raised if Communism there is to be resisted successfully. If the "have" democracies do not help these underdeveloped peoples, the "have nots", those people are sure to look elsewhere. If we do not help them they can hardly be expected to remain in the free world. As the leader of the free world, we must take positive steps to secure the common defense against communism. It is not sufficient that we direct our efforts solely toward strengthening ourselves and our own potential. We must lend a hand to the underdeveloped, we must help develop them in a democratic way rather than in a totalitarian direction; we must help them to attain economic security and to maintain their personal freedom. And our help must not be too late. Otherwise Communism will have gained another victory in its quest for world domination.

* Latin America purchases one-half of our automobiles exported, 40% of our exported chemical products, one-half of our exported medical products, and 34% of our exported agricultural machinery.

Moralistic Considerations

And fourthly, our interest in Latin America is a moralistic one. We are sincerely concerned for human welfare wherever humans may be. We desire to see all humanity achieve security, prosperity, and a better way of life. It then becomes one of our objectives to help all peoples who will try to help themselves. And Latin Americans have shown and are showing that they deserve our aid.

Chapter III
NATIONALIZATION
The People —— Nationalism

Latin Americans number about 160 millions. All speak the same or very similar languages; their histories are similar and interrelated; their religious and cultural heritages are the same; all are made up of similar racial groups: the American Indians, the Spanish or Portuguese, and the Negro. Violent changes in government and economic instability are normal. "Caudillismo," or rule by leader, dictatorship in fact, is traditional, along with corruptness in government.

From the earliest days the Latin American has been distrustful of foreigners. His traditional distrust was intensified in the last century by what he calls United States administrative imperialism, with its objectives of raw materials, markets, and highly profitable investments.

His memories of the Monroe Doctrine and the Big Stick Policy of interventions were not entirely erased by the Good Neighbor Policy of the Thirties and the common objectives in World War II.

Economically Latin America has lagged far behind the other nations of the Americas, the United States and Canada. The almost complete absence of a middle class, the general poverty of the people, their lack of education, and a traditional dependence on other nations for industrial necessities, all have served to hold back industrialization and economic advance.

Early trade was in products of the mines, the forests, and the fields. Minerals and raw materials, meats, sugar, coffee, and bananas were the principal items for export. But usually a country had to depend on only one or two of these products for its prosperity. When in world markets violent fluctuations occurred in the prices for their products, economic crisis resulted at home.

World War I produced extreme shortages in industrial and consumer goods, imports from Europe mostly. The depressions of the Thirties left their imprints here, too. World War II saw great financial improvement in most of the Republics, but carried with it more shortages. The postwar years with the inflations which accompanied removal of controls, saw wartime profits quickly eaten up in the fight for goods and materials.

It is no wonder that Latin America has seen a steady rise in nationalism. Now it is no longer content to see its resources exploited by other nations; it no longer will permit foreign meddling; it is no longer willing to tie its economy to other and possibly unstable or inconsistent economies. Nationalism has become the force which will attain for it economic independence and freedom from foreign domination.

Foreign Private Investment

In understanding today's problems of economic nationalism, and of the consequent trend toward nationalizations, it will be helpful to remember the pattern of early development in Latin America.

Normally economic development in any backward country can be accelerated by the use of capital from outside the country. Domestic capital in the early stages of development is not usually available, and frequently the state itself is not in a position to do much. In our own expansion of the United States we were assisted materially by European countries, particularly in railroad financing. So, in Latin America, United States capital played its part. It was first in the field of raw materials. But its sole purpose then was exploitation. Since the capital investment was necessarily large, the investors saw to it that handsome profits were realized. Little went for social or other benefits in the exploited country. In order to retain privileges, many companies interfered in local politics, and not infrequently local dictators were able to maintain themselves solely because of the financial support of the foreign companies.

Furthermore, since the interest was primarily in export minerals, there resulted imbalances in the development of the economies.

In landholdings and in the development of agricultural enterprises, foreign investment was interested in South America only to a limited extent; but in Cuba and in Central America the investment was large. The results of this type of investment were similar to those in the mineral export countries. It must be noted, however, that where mineral export depletes a country's resources, agricultural development can enrich the country.

Another area of foreign investments although more limited, was in the financing of public utilities, railroads, and banks. Some capital also was invested in sales organizations and in factories. These types of investment of course produced services and goods for local consumption. But while so doing they served to place foreign control over many important fields of the nations' economies.

So, to the Latin American, foreign private capital and free enterprise grew to mean exploitation and foreign domination.

Why

In the search for means to overcome the apparent disadvantages of foreign private enterprises, most of the Republics have resorted to government interference in enterprise to some form of government planning. While some of the countries, mindful of the benefits, of private capital investment, have instituted measures which emphasise cooperation for mutual advantage, others have discouraged foreign private capital by oppressive taxation and governmental controls, restriction and discrimination, or they have turned to government ownership. As a means for securing ownership of enterprise, they have nationalised.

In implementing these programs for economic independence those Latin American countries which have nationalized, have expressed as their purposes the institution of agrarian reforms in land; the protection of key industries from competition and foreign control; the requirement for strict control of certain industries which are "affected with a public interest", as banks, shipping, railroads, and public utilities; and the need for control of their export industries, the chief sources of revenue.

But while economic reasons and social reforms have been most usually advanced as the motivation to nationalise, we cannot be unmindful that pure politics frequently has been a chief influence. This opinion is supported by Hanson, who says in writing on the role of government in Latin American economies, "that rarely if ever did they intervene from a popular belief that government control and operation was an economically superior method, that the state could do it better." 2/ The large number of dictators who require strict control of an economy to maintain themselves in power, the often convenient and ever-popular appeal of anti-Yankee-Imperialism, and the steady rise of nationalistic desires for domestic exploitation, as "Brazil for the Brazilians", have all been important factors in the decisions to nationalise.

Yet, in some countries there are sincere doubts about the benefits of private enterprise. They look back at the depressions of the capitalistic economies, they remember the hurt of world market fluctuations on their one-product economies. When there is a choice between government enterprise or foreign private enterprise, they often prefer the former. They feel that nationalization and an expansion of state economic planning will enable them to avoid some of the inequities of the capitalist system of free enterprise.

How

How have these countries gone about the mechanics of nationalization? Their methods have been numerous; often they have resorted to a combination of methods.

Brazil, for instance, simply enacted legislation which reserves the right to participate in certain industries exclusively to its own nationals. State ownership did not result, but domestic ownership was assured thereby.

In Venezuela and in Colombia, lapses of concessions have served to start government in certain industries.

In other countries, discrimination in exchange controls, in labor regulations, and the imposition of excessive taxes have made it unprofitable for foreign private enterprise to continue to operate, and so the government has taken over.

Sometimes, as in Argentina, the government has purchased the existing enterprise. Not infrequently, as in the case of utilities, where rates have not been permitted to rise with increasing costs of operation, maintenance, and equipment replacement, private enterprise has been only too happy to give way.

Although no more important than other methods of nationalising, expropriation has been the means most publicized, and the one which has provoked international dispute most frequently. This taking of private property in the interests of the state has legal basis in the constitutions of all of the Latin American Republics. In permitting expropriation, "public utility" or "social interest" are advanced as sufficient reason; sometimes it must be proved before the courts, but more frequently not. The requirement for indemnification is far more varied, and the range runs from Brazil's requirement for "prior and just indemnification in money" to Mexico's requirement, with indemnification," the time and method not being specified.

Effects

Although nationalization has effectively accomplished the removal of foreign ownership and foreign domination, it has frequently had less advantageous consequences. Economically, it has resulted in reduced outputs and in a slower economic growth. Politically, it has meant conflict with the policies of friendly nations who desire to help them.

Along with foreign private capital went technological and administrative know-how, items which are not plentiful in Latin America. These having been eliminated, the advance of industrialization has been retarded, for not only have the records supported the contention that government operation has been less efficient in operating and maintaining existing enterprise, but also they have conclusively shown that expansion in plants and

development of reserves have not gone forward to the extent which they should have. * Financially and technically the Latin American governments do not now have the required capabilities.

The re-establishment in Mexico of some oil companies as distributers and co-developers with the government owned oil industry indicates that Mexico may have come to the same conclusion. We may expect others to follow this example, particularly in the oil industry.

Lacking local capital, skilled labor, and administrative skills necessary to the continued development of their economies, Latin America will not be able adequately to develop basic industry and utilities, or to further develop their resources to the point where they are a dependable source of supply without economic aid and outside technical assistance.

This becomes of vital concern to the United States. It can mean only one thing, more aid.

On the other hand, countries which have not nationalized extensively, and which have not abused enterprise with restrictions and discrimination, and which have created climates favorable to the foreign investor, have seen private capital flow in increased amounts. Statistics furnished by the U.S. Department of Commerce show that in 1950, U.S. investors doubled investments in Latin America over those of 1943, to a total of $4.7 billions; by 1952 the amount had reached $5.7 billions. Although led by petroleum investments in public utilities, manufacturing, mining and smelting and agriculture were substantial.

United States capital wants to help but it is discouraged in nationalizing countries; Latin America needs capital and know-how, and they are well aware of it, but they want it on their own terms, terms which are not now attracting it.

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* Comparison of the record in Venezuela, where the oil industry is operated by private enterprise, with the records in Brazil and Mexico, where operations are carried on by government monopolies, demonstrates the effectiveness of the former method of operation. For example, oil production in Venezuela increased from about 509,000 barrels per day in 1940 to 1,800,000 barrels per day in 1952. During the same period neither the Brazilian nor the Mexican government monopolies have made any significant oil discoveries. Production by the Brazilian government monopoly was 5 barrels per day in 1940 and about 2,400 barrels per day in 1952, while production by the Mexican government monopoly was 120,000 barrels per day in 1940 and about 211,000 barrels per day in 1952. In Brazil the record of the national motor factory has likewise been most disappointing.

So the U. S. taxpayer will have to foot the bill until Latin America is on its own feet or until it changes its policies.

Another possible effect of nationalization is that nationalized countries may be inclined to deal with the Soviets. Faced with increasing costs of production and with large capital outlays which they may now share with private enterprise, they may well not be able to complete favorably in the world markets with free enterprise. Threats of this nature have been heard. But in spite of these threats, the likelihood of this eventuality on any large scale is remote; neither the Soviets nor the Latin Americans have the necessary shipping to carry the products to Soviet markets. Furthermore, immediate economic pressures by all the Western Allies could soon and completely isolate the offending country.

In International Law

The right of a nation to nationalize its industries is recognized, in international law as inherent under the principle of eminent domain. Sir John Fischer Williams, the British jurist supported this right when he ruled that:

> "Whatever may be our views as to the relative merits of socialist and individualist doctrines, it is impossible to assert that modern civilization requires all states to accept unreservedly the theories of one side in the great economic conflict." 3/

When the Economic Charter of the Americas was drafted at Mexico City in 1945, a proposed declaration against the creation of state trading enterprises was omitted from the final agreement because of opposition by the delegates from Latin America who saw in it restrictions of national sovereignty. The Charter of the Organization of the American States and the Economic Agreement of Bogota both affirm the rights of nations to regulate their economies to the best interests as they see them.

At Bogota, while approving an article which provides that foreign investment may not be deprived of property under conditions different than that applying to national property, eight nations (Ecuador, Mexico, Argentina, Uruguay, Honduras, Guatemala, Cuba, Venezuela) entered reservations as to a part which provided that expropriation shall be accompanied by payment of fair compensation in a prompt, adequate, and effective manner. It was the contention of these states that such an agreement might contravene the supreme authority of their individual constitutions.

The question of expropriation of private property without compensation has been heard before international courts of law. They have held that it is not desirable that there be any absolute rule in this regard. They are in agreement that it is sound legislative policy for

a state to compensate for expropriated property, yet they are unwilling to rule that a state may in no circumstances yield to some higher public interest. 4/

This opinion has wide support as is evidenced in the United Nations General Assembly, in late 1952, when Uruguay and Bolivia proposed a resolution which approved the right of nations to nationalize their industries and raw materials without specific mention of compensation to private investors. In the resolution:

> "The General Assembly recommends further all member states refrain from acts direct or indirect, designed to impede the exercise of sovereignty of any state over its natural resources."

The measure, backed aggressively by the Latin American Republics over United States opposition, was passed by a vote of thirty-six to four. Speaking at the time, the Bolivian delegate said that when his country nationalized its greatest industry and chief export, the Bolivian people felt free for the first time in their history. The representative from Uruguay pointed out that it would be perilous to ignore the important trend now making headway in Latin America.

Position of the United States

John M. Cabot, Assistant Secretary of State for Inter-American Affairs, has recently reaffirmed the stand of the United States in regard to nationalization when he pointed out that although this country may have reservations regarding some of the present measures in some Latin American countries which follow a different political and economic philosophy from ours, it is none of our business. He added further that we have no quarrel with any country's purpose of social reform so long as it is sincere. 5/

Our policy in late years has been consistent in these regards. Nationalization has been accepted without question. Our generous aid to policies have been ample evidence of our willingness to go along with Latin American progress and reforms as they want them.

There have, however, been cases of disagreement in regard to expropriation as a means of nationalizing. In most cases of nationalization by expropriation, the United States has avoided any interference. But where there has been a denial of justice, and where adequate and prompt compensation has not been forthcoming, the United States has protested and sometimes exerted pressures in the protection of the rights of its nationals. This we have done even where previous agreements between the capital receiving country and the private enterprise have been made for the purpose of forestalling such intervention. We have held it to be our privilege and duty to see that our nationals receive just treatment as is required by international law and moral justice.

While United States policies for economic aid have not been to deny

aid to countries which have nationalized, they have emphasized that we consider private capital to be the proper and the best means for achieving economic development.* We have not interfered with the nationalization of British industry, although many officials have urged that we do so, and we have restrained ourselves from interfering in other countries which are implementing programs of socialization. We have, however, in all cases felt compelled to see that United States aid funds are wisely utilized in the achievement of economic progress which the specific aid has been intended to serve.

Our programs of aid have included technical assistance, grants, emergency grants (as to relieve economic stress in Bolivia in 1953), loans from the Export-Import Bank, and the promotion of private investment abroad by means of guarantees and a liberalization of taxes on foreign earnings. In addition, the United States has been active in efforts to negotiate special treaties dealing with private investment in foreign countries (of which only two have been negotiated, with Uruguay and Colombia).

The programs of loans by the Export-Import Bank have been extended to almost all of the Latin American Republics. The loans have been specific purpose loans which have offered reasonable assurance of repayment. They have been made to the governments for the development and expansion in fields not now attractive to private enterprise, such as transportation, electric power, highways, irrigation, harbor improvements and the like. And they have been made to private business to supplement funds for the purpose of expansion and development in industries which produce essential materials for export to this country. But in all these cases the Bank was required evidence that other funds are not available at reasonable rates from private sources.

The United States has also been active in the functions of the International Bank for Reconstruction and Development (U. S. has provided 37½% of capital). This Bank has advanced loans for agricultural development, transportation, electric power development, and in a small degree to industry.

Since in our loan policies we have not discriminated against countries which have nationalized, much criticism at home has been voiced that as long as we continue a program of grants and attractive loans, no underdeveloped country will make the necessary reforms to attract private capital. These critics contend that countries will continue to nationalize industry, to limit profits, to fix prices and wages, to impose excessive taxes, and to place obstacles in the way of legitimate transfer of profits. This is undoubtedly true, but we must face the realities. We cannot now permit the Latin American people to face additional economic stress, to see their economies go under. As long as communism is ready to move in, and as long as our defense against

* NOTE: It has been said authoritatively that one dollar of private capital carrying with it "know-how" is equivalent to three dollars of public aid.

communism requires their help and their resources, our policies must be such as to bolster them up.

This does not mean that we are committed for always to support them, but it does mean that our responsible officials must act with imagination: it means fuller economic co-operation, and it means that we must recognize and understand their problems and the motivations behind their actions. It calls for unselfish and objective programs, and it calls for utilization of all and any means at our disposal.

Chapter IV
CONCLUSIONS

To nationalize industry or industries in any country is an inherent right of that country; it must be accepted by the United States as a matter of comity among nations; it truthfully is none of our business.

Likewise, we must recognize the right of a nation to expropriate private property. But should that country fail to provide just and prompt compensation to nationals of the United States, we may not remain passive, but we must register protests and possibly exert pressures until just settlement has been obtained. In cases where such is denied, although we may not intervene with force, we should adopt a policy of non-co-operation in other matters, such as in our aid programs. If the United States should be guilty of failing to lookout for the interests of its nationals abroad, private enterprise, which we hold as the most effective and the most desirable means to promote foreign economic development, will be less willing to do its part.

Nationalization within a country should not precipitate our withdrawal of economic aid from that country; such a policy would be ill-advised, it most certainly would produce economic stress for them, but at the same time its effects for us would not be to our best interests.

Our present policies are in accord with these conclusions. But there remains the question of what shall we do to meet this rising tide of socialization.

In general, we should not be overly concerned with present specific economic philosophies of Latin America; we must accept them for what those Republics are trying to do. But in making this statement, reservation is made with respect to those countries which are courting communism and whose governments are taking courses dictated by Communist motivations.

We should continue to give Latin America aid. And there would be no better way to show the whole world our true desires to help than to untie some of the strings which we now attach to our public aid. Specifically, we should expand our lending and ease the restrictions now imposed on the loans made by the Export-Import Bank and the International Bank of Reconstruction and Development. But while the fields for which loans may be

made should be opened up, we must still adhere to the principles of good business by carefully investigating each proposed project.

While we should make known that we favor the use of private capital for economic development, we should avoid exerting such pressures in our lending policies that we force our own philosophies upon those other sovereign states.

In implementing our aid programs, we should take steps to see that in general aid and effective guidance on another nation's internal operations are effected through international organizations, composed of representatives from many governments, including the one to which aid is destined.

To avoid excessive drain on the United States Treasury, utilization of private capital in international lending should be increased by expanding individual participation in support of international lending organizations.

We must take steps to stabilize prices and to prevent fluctuations in world markets of products which we obtain from Latin America; no action should be taken by us which will cause such fluctuations, unless it is by intent and prior calculation.

We must promote private investment abroad by all means within our control, by efforts to convince other nations of the need for them to provide a better climate for the private investor, and at home by extending our program of guarantees and by providing some relief from taxation of profits received in foreign lands.

We must modify our tariff regulations and restrictions so that our markets are opened up to Latin America, to the end that those nations will be better able to establish the favorable trade balance necessary for continued economic growth.

And lastly, but by far not the least important, we should adopt an aggressive program of educating Latin America, and particularly those countries which have nationalized, in the advantages of a private free enterprise system; we must sell them our system. This we may accomplish by extending arrangements similar to the one on which Venezuelan-United States economic co-operation is based, to all willing countries. When other Republics see what can be done by such co-operation, they will choose that course because it is mutually benefiting to do so.

When we have overcome suspicion and distrust, and when we have shown Latin America how private enterprise can help them, we shall have few worries about nationalization. Those countries will create the climate which will again attract investment, and that investment will contribute to a more rapid growth toward economic security and a better way of life for all.

FOOTNOTES

1. Samuel C. Waugh, "America's Stake in a Healthy Free World Economy," Department of State Bulletin, August 3, 1953.

2. Simon G. Hanson, Economic Development in Latin America, The Inter-American Affairs Press, Washington, 1951, p. 457.

3. J. L. Brierly, The Law of Nations, Oxford, 1949, p. 211.

4. Ibid, p. 211.

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GOVERNMENT ACTIVITY IN SELECTED COUNTRIES

It is not unnatural that each of the Latin American Republics should be faced with a distinct and a different economic problem. Some have an abundance of natural resources, some are primarily agricultural; some are virtually dependent on one product, others have diversified economies. So the extent of government activity in enterprise is varied.

However, there has grown up in Latin America one almost universal characteristic of government activity. It is the special development corporation, or "fomento." Controlled and financed by the government, the fomento has wide powers in the economic activities of the country, and it has been assigned great responsibilities with respect to economic planning. Because of the great flexibility permitted in its operations, the fomento has often been able to accomplish its mission effectively.

This annex sets down briefly certain features of government activity in selected Latin American countries. In addition, some of the important aspects of the United States-Venezuela agreements for petroleum exploitation are presented as an example of a nation's successful arrangement with private foreign enterprise for mutual benefit.

ARGENTINA

Of all the Latin American Republics, Argentina is most advanced in government activity in the economic life of the nation. Between 1943 and 1949 the Argentine Government undertook measures to: (a) promote industrial activities that would reduce the country's dependence upon imports; (b) develop certain basic heavy industries; (c) increase the degree of processing of the main export lines; (d) strengthen the government's right to a planned economy; and (e) provide for government ownership, or at least close regulation and participation in key industries.

The Constitution of 1949 provides "the state may intervene by law in the economy and monopolize any given activity to safeguard the general interest ---"

Exploitation of iron, coal, petroleum and natural gas are reserved for the government. The natural resources, including minerals and waterfalls and hydrocarbons are state property. The government participates in banking, the purchase and marketing of major exports (except wool), and in the petroleum industry. There is a state merchant marine. Meat and cattle pricing is government controlled.

Much nationalization was accomplished through purchase during World War II. Previous records of purchase have been considered generally satisfactory to all concerned. It can be expected that all utilities will be nationalized.

BRAZIL

In Brazil, railroads, shipping, telephone and telegraph, cocoa export, domestic airlines, and petroleum production are the principal industries a large part of which have been nationalized. The present constitution authorizes mineral exploration and development only by Brazilian citizens. No new enterprises for petroleum production by foreigners will be permitted. Fishing, radio broadcasting, and newspaper publishing is reserved exclusively for Brazilians.

The government is active by ownership in many industries, such as: National Motor Factory; National Steel Works and Allied Coal and Shipping; an alkali plant; iron ore operations; transport; communications; utilities. A National Bank for Economic Development was established in June, 1952. There is an Economic Planning Commission as well as a National Economic Council and other councils in the industrial fields.

All foreign exchange must be sold to the government; it is then auctioned to private enterprise if the government itself does not need exchange.

CHILE

In Chile economic coordination began in the early 1930's. It was the outcome of the deep depression which the country experienced as a consequence of the disruption of its foreign trade. The major fields of enterprise are copper (US owned) and nitrates. Seventy percent of Chile's foreign exchange comes from these two resources.

The Chilean Development Corporation (Fomento) directs the economy of the nation. The Corporation controls the petroleum industry, and foreign interests are permitted only to distribute petroleum products.

In power, transport, and communications there is a very strong tendency toward complete government control. Private companies are being frozen out by government controls of utilities' rates while labor and other costs are rising; nationalization appears probable in the near future. Already nationalized are the railroads (75% government owned), national airlines, and telegraph; the American owned telephone company is having difficulties.

The minerals industry continues to be the chief source of

foreign exchange and the main prop to the economy. But Chilean policy places great emphasis on a government program of diversification.

Foreign trade is regulated by the government, which also controls the sales of copper and nitrates.

COLOMBIA

Colombia has nationalized civil aviation (51%) and coastwise shipping (60%); 60% of the power plants, 80% telephones, 100% telegraph and radio telegraph are government owned. There is a government monopoly in salt, and two emerald mines are government owned. Expired concessions have put the government in the petroleum industry to a limited extent. Subsoil rights belong to the government, but the policy is to have these industries developed and worked privately.

Colombia has in recent years made a decided effort to attract private enterprise. In 1951 legislation was passed clarifying and liberalizing treatment to be accorded foreign capital; it guarantees the right to re-export, remit profits or to capitalize profits. It does however require that 90% of the laborers and 80% of the managers and specialists be nationals. Colombia is considered a country favorable to foreign investment. The standing of foreign private enterprise rose sharply when U.S. petroleum companies adhered gracefully and strictly to concession expiration agreements in recent years.

CUBA

Government control is encountered in the practice of "intervention," or the seizure of private industry by the government for temporary periods. Almost without exception the interventions have occurred as a result of labor disturbances. There has been no loss of title, but it is usually costly to the owners because of rapid depreciation of equipment due to improper maintenance.

MEXICO

Mexico was a leader in the nationalization of industry. The Constitution clearly provides for State participation in fields usually left to private enterprise. Accordingly, Mexico has been active in government regulation and coordination of all economic activities.

The Federal Industrial Development Commission was formed to draft a general plan for the industrialization of the country and for the adequate utilization of its natural wealth. Other agencies have been set up for price control and regulation and for official intervention in markets. There is a National Distributing and Regulating Company.

In regard to foreign enterprise, the government has repeatedly assured foreign investors of fair and equitable treatment on the same terms accorded domestic capital. There is free exchange and convertibility. The government has gone on record that foreign capital "is desirable and useful when they contribute to the integration and harmonious development of the country receiving them, and when they are in accord with the nations program."

The first Six Year plan (1933) marked the beginning of (planned economy) a system of increasing government participation in economic affairs. The second Six Year plan (1941-1946) called for a rapid increase in the degree of State authority in directing the national economy by (1) adjusting industrial production towards the satisfaction of domestic needs, (2) creating and acquiring the means for production necessary for economic development, and (3) the promotion of exploitation of raw materials.

Bank credit is subject to government control, under the Nacional Financiera. Petroleum exploration and exploitation is government owned. There are government official commissions in electricity, mining development, irrigation and hydraulics.

In certain industries the laws provide for 51% participation by nationals; the policy or doctrine of "saturation of industry" prevents over-emphasis on any one industry.

OTHER COUNTRIES

Bolivia

The Bolivian Development Corporation began functioning in 1943. The enabling legislation for this corporation authorized it to use its powers in virtually all phases of the nations economy. Railroads, petroleum, Airlines, and Banking are nationalized. In 1952 the tin industry (the country's major source of income) was nationalized. Government activities include the Bolivian Oil Authority, the Mining Bank, the Agricultural Bank, and the Irrigation Bureau. It can be expected that Bolivia will continue its nationalization program.

Under its Agrarian Reform Program, the Government is authorized to expropriate large land holdings for distribution among farm laborers and other workers. The officially stated objectives of this program are better distribution of land, increased agricultural

production, and savings in foreign exchange requirements.

Although utilities, in general, have not been expropriated, it is the Government's declared intention to nationalize not only the mines and the allegedly unproductive estates, but public services as well. Thus, the telephone system and long distance lines serving the important mining center of Oruro, have been taken over by the city, which seems to have modelled its "Municipalization" along the lines of the mine nationalization.

Concessions, amounting to monopolies, also exist in Bolivia. The match monopoly, for example, has been in effect for nearly a quarter of a century. Another is a silk concession which gives outstanding advantage to the sole silk mill of the country. Considering the consistent trends towards nationalization of industry, it is possible that these and similar concessions will eventually be taken over by the Bolivian Government itself.

Nationalization has even invaded the fine arts. Foreign musicians and musical organizations, except transient artists and musical and theatrical organizations, are prohibited from performing in Bolivia. This action, on the books for nearly a decade, was taken at the request of the professional musicians' union which claimed that foreign artists were jeopardizing the position of Bolivian musicians and endangering their livelihood.

Peru

Economic development in Peru has been carried out mainly through government-controlled corporations and specialized government-controlled banks (Industrial, Agricultural, Mining, Mortgage). The government maintains a monopoly over guano, salt, tobacco, alcohol, explosives, playing cards, and matches.

Uruguay

Electric power, banking, transport, telephone and telegraph, water, fuel and alcohol, and fisheries are nationalized.

Venezuela

Venezuela, in spite of changing governments, is an example of a country whose economic cooperation with the United States for mutual benefit, has been almost classic. Two-thirds of her foreign direct investment is U. S., amounting to the end of 1950, to $993 millions.

There are a minimum of legal barriers to the establishment of foreign enterprise. Petroleum provides two-thirds of the government revenue; iron ore deposits are being developed, and coffee and cocoa export are encouraged by the government by means of special concessions.

Government activity in enterprise has come about usually because of unwillingness or inability of private capital to do so. Government ownership and activities include government owned airlines, coastal and deep water shipping (with Colombia and Ecuador - The Greater Colombia Merchant Marine), rails, internal telecommunications, radio, television, low cost dining rooms for workers. The Venezuelan Development Corporation (Formento) owns farm and industrial properties, the Bank owns warehouses and slaughterhouses. There is foreign exchange control (since 1943). Since 1945 the government has refused to approve new petroleum concessions, and private enterprise in the petroleum field has been required to build refineries in Venezuela. The few instances of expropriation have been because private owners were unable or reluctant to continue operations.

The unique relationship between Venezuela and the United States is of decided interest as a contrast with policies of other governments which have instituted measures to restrict and to discourage flow of private capital.

Venezuela and Oil

The economic and social advances achieved in Venezuela in a short span of years are truthfully attributable to Venezuela's cooperation with United States private industry, and to the favorable climate she has made for all private investment. The government and the people have made wise and far-seeing use of the large income derived from oil, in promoting agriculture, building roads, building hospitals, in public works, and to finance education and public health projects. In short, the natural wealth has been exploited by private enterprise for the benefit of the people of the country as much as for the investing companies.

Exploration for oil is costly; production of oil is equally costly. Venezuela has recognized this and agreed to reasonable profits for the investors in return for the capital and technical know-how imported. She has sound legislation on petroleum, taxation, and labor.

In Venezuela, the subsoil belongs to the nation. A surface owner can only dispose of a right of access. Exploration for hydrocarbons, their exploitation, transportation, and refining are regarded as a public utility. The government grants concessions for exploration (3 year limit), for exploitation (40 years), and for refining and transportation (50 years plus 50 years additional at holders option). At the expiration of the concession period, all

rights revert to the State.

Each step in petroleum production is taxed. There is the surface tax, the tax levied for exploration, for initial development, for production, and for refined products. As an example, the production tax ranges from one-sixth to one-third of the value of the crude produced; it may be collected either in kind or in cash. In addition to these taxes are the income taxes and the transportation taxes. In practice, of the total income from oil, one-half represents royalties, and the other half is equally divided between income tax and other taxes. A special formula known as the 50-50 law has been enacted to insure that during any year the government and the company share equally in the net profits.

Labor laws are fair to the companies. In fact, social legislation in Venezuela is considered among the most advanced in the world.

In addition to taxes and other income from oil, Venezuela has gained through the improvements in roads, housing, and utilities made by the oil companies on their properties.

It is apparent that both the investing companies and the people, through their government, have profited from Venezuelan policies of fairness and understanding.

SELECTED PROVISIONS OF LATIN AMERICAN CONSTITUTIONS
(Relating to Property Ownership)

In writing their Constitutions, the Latin American Republics have included certain regulations concerning property, which being the legal bases for nationalization, are of interest in this study.

In general the special provisions are nationalistic in nature, although some are designed to prevent abuses of power by foreign enterprise and governments.

In keeping with the principles of the old Spanish law, the states have usually reserved for themselves the title to the natural resources of the country. Control over these resources and over their exploitation is always reserved to the state.

Property ownership, which was once absolute, is often now subordinated to the social and national interest.

In most of the constitutions we find regulations placing foreigners and nationals on an equal footing with regard to property ownership. But others discriminate against the foreigner, and in some cases even eliminate him from enterprise.

The following extracts (with emphasis supplied) are taken from the constitutions of the several Latin American countries:

ARGENTINA

The state supervises the utilization of rural property and endeavors to have each peasant and family own the land they cultivate. Private initiative is respected, but it must not attempt to control national markets. Minerals, water power, deposits of petroleum, coal and gas are the property of the state. Public services are the property of the state, and all those now remaining in hands of private concerns shall be gradually acquired by the state. The constitution provides for revenues from imports and exports, and from the economic activities of the State. The government may intervene in the economy of the nation, and monopolize certain activities in favor of the general interest. Expropriation must be authorized by specific law and compensation determined beforehand.

BOLIVIA

Private property is guaranteed provided that its use is not prejudicial to the collective interest. Expropriation is imposed

for reasons of public utility or when (property) does not fulfill a social function, judged conformably to law and after fair indemnification. Foreign subjects and enterprises are in respect to property, in the same position as Bolivians, and can in no case plead an exceptional situation or appeal through diplomatic channels unless in case of a denial of justice. Aliens shall not acquire land or subsoil within 50 kilometers of the frontiers. The State has dominion over the subsoil rights and over all mineral deposits.

BRAZIL

The Union is granted power to legislate upon expropriation. The right of property is guaranteed, except for the case of expropriation for public necessity or utility, or for social interest, with prior and just indemnification in money. Mines and other subsoil wealth, as well as waterfalls, constitute property distinct from that of the soil for the purpose of industrial development or use. The employment of mineral resources and those of hydraulic energy depend upon federal authorization or concession, as provided by law. Authorizations or concessions shall be granted exclusively to Brazilians or corporations organized in the country. Foreigners may not own newspapers or radio concerns. Coastal navigation may be made only in national ships whose crews must be at least two-thirds Brazilian.

CHILE

The Constitution reserves to all the inhabitants of the Republic, inviolability of all property, without any distinction. But expropriation for the public interest, with prior indemnification guaranteed, is provided for.

COLOMBIA

Expropriation is provided for, with previous indemnification. But a legislative vote of the absolute majority may determine where grounds for indemnification do not exist.

COSTA RICA

The constitution declares that property is inviolable, although Congress may, for reasons of public necessity, impose limitations in the interest of society. National railways and freight platforms are government owned and controlled. Water power, coal, petroleum, and wireless are State owned.

CUBA

Expropriation is legal if in the public interest. The subsoil belongs to the state, which may make concessions to individuals for its exploitation. Lands, forests, mines, water power, means of transportation and public services must be exploited in a manner favorable to the social welfare.

DOMINICAN REPUBLIC

There are practically no limitations to the full exercise of property rights, except, however, the State may expropriate with justified reasons.

ECUADOR

Property rights are guaranteed, but always with the consideration that the property fulfills a social function.

EL SALVADOR

Private property is inviolable. But it may be expropriated for public utility, legally proved, and with just indemnification.

GUATEMALA

The constitution provides for expropriation for the public utility or necessity, with prior indemnification. Hydrocarbons are State property; subsoil belongs to the State. Foreigners may not own property within fifteen kilometers from a frontier or the coast. All concessions granted by the state in relation to public services may not be for a term longer than fifty years, after which the properties revert to the State.

HAITI

The constitution provides for expropriation for public utility with just and previous indemnification.

HONDURAS

Private property rights are guaranteed, but this shall not impair eminent domain of the State and shall not be superior to the interests of national institutions. Alien ownership of lands and waters may be subject to restrictive measures for the general welfare.

MEXICO

The constitution provides for expropriation with indemnification; (the tax value is usually paid, and need not be, prior to the expropriation; no reasons for expropriation are specified in the constitution) it further gives the State the right to impose on private property measures that the public interests dictate. Equitable distribution of public wealth is insured. The State has direct dominion over all minerals and over the subsoil in general; mining rights may be granted as a concession; petroleum may be exploited by the state only. Only Mexicans naturalized or by birth, may acquire land or obtain concessions, except that aliens may if they agree not to invoke protection of their government in reference to the same.

NICARAGUA

The State may nationalize enterprises if in the public interest, by previous indemnification and in conformity with the law. Expropriation of private property for the public utility or social interest with proper prior indemnification is authorized.

PANAMA

The constitution provides for expropriation by judicial action with previous indemnification.

PARAGUAY

The constitution provides for expropriation by law; the form of indemnification will then be determined.

PERU

Mines, lands, forests, waters belong to the State. Property is

inviolable, and no one may be deprived of property except by reason of legally established public utility and after justly appraised prior indemnification. Aleins are considered equals with nationals with regard to property rights. Aliens may not acquire lands, waters, mines, or fuel deposits within fifty kilometers of the frontier.

URUGUAY

Expropriation is provided for if in the public necessity or as established by law, and always receiving first just compensation. Damages may be allowed in the case of expropriation. The State may intervene in the national economy through the autonomous entities and the decentralized services.

VENEZUELA

The constitution provides for expropriation in conformance with law for the public utility or social interest by means of final judgement and payment of price; if land is expropriated, payments may be deferred.

EXPROPRIATION CASE STUDIES

Expropriation has often been the means by which nations have nationalized. They consider that it is not sufficient merely to nationalize new industry, but that existing enterprise must be required to turn over its properties and rights to the government.

Frequently, this has been accomplished in a manner mutually satisfactory to the enterprise and to the government. But in other cases, perhaps because a nation has been financially unable to provide compensation, the foreign and domestic private owners have been denied adequate indemnification.

This annex has been prepared to provide a brief discussion of the more prominent cases of expropriation, including some where the United States government has seen fit to intervene in behalf of its nationals. It will be noted that the quarrel has not been with nationalization or with expropriation, but over the stand of prompt and just compensation.

MEXICO

Land Expropriation

Perhaps the most well known and the most important cases of expropriation of foreign-owned property occurred in Mexico. The first was a step in the land distribution program. Prior to 1910, land was in the hands of the great landholders. A decree of January 6, 1915 provided for expropriation by the State of land to be given to the needy peons. The Carranza Constitution of 1917 gave legality to the land reform program. The next president, Obregon, regularized the procedure for obtaining the land, and provided for compensation to those landowners who lost land because of "donation." President Calles followed; and during Cardenas's presidency more land was distributed than during the many previous years of the revolution. Foreigners suffered heavily during the land reforms, and therefore appealed to their home governments for protection against injury in violation of international law. In the land expropriation there appears to have been little discrimination between loss to foreigners and to Mexican nationals. In some cases, however, foreigners' rights were not respected, possibly because many Mexicans had come to associate the presence of foreigners in the country with their own lack of the necessities of life. In discussing the case, the Mexican government argued that since there had not been discrimination against any foreigner, and since the land reform was instituted to benefit the whole nation, Mexico was not under obligation to tender compensation to anyone. The stand of the United States and other countries was that international law prohibits

the confiscation of the property of foreigners if no compensation is paid.

The issue of compensation and noncompensation was further confused by the fact that Mexico never repudiated her obligation to pay; she merely had taken the stand that she was not obliged to by international law. She stated she fully intended to pay, but when, and in what fashion, was to be decided according to her laws. In the 1925 expropriations, the compensation was tendered in bonds, the value of which was based on the tax value of the lands taken. Needless to say, these bonds depreciated rapidly. They were accepted by only a small number of the landholders concerned for it was their contention that the tax values of the lands were not the real values of the properties and that virtual confiscation resulted. It was also argued that twenty year bonds did not fulfill the requirements of just and prompt compensation. By 1930 25 million pesos worth of bonds were outstanding, while many times that amount of property had been taken over.

Claims conventions between Mexico and England, Germany, Spain and the United States settled nothing.

In 1938, a United States - Mexican agreement eased the tension. Mexico agreed to pay one million dollars toward claims which had arisen after 1927. Finally in 1941, a $40 million settlement was agreed on, and for which important concessions were made by the United States Government.

The important point to emphasize in the land expropriation was that there was no discrimination - Mexican land owners and foreigners alike received the same treatment. One point of interest is that Mexican compensation was based on tax value of lands, a figure which most land holders minimize. Undoubtedly had the declared valuation at the time of expropriation been higher, back tax levies in addition to land loss would have been the fate of many.

Oil Properties Expropriation

The problem of expropriation of oil properties in Mexico was materially different from the land reform problems. Under Spanish law it was well established that ownership of the surface did not mean ownership of the minerals in the subsoil. The State under this law might grant concessions to the mineral rights to individuals other than the owners of the surface. Although Mexican laws between 1884 and 1909 provided that oils in the ground were owned by the surface landowners, the Constitution of 1917 specifically provided for State ownership of all valuable minerals in the subsoil, including oil. The Government now contended that previous laws giving oil rights to the surface owners were unconstitutional. Foreign oil companies had obtained their properties under the old laws, and only because of the protection provided by these laws.

In deference to strong foreign opposition to any action the Government made no immediate effort to give effect to the new constitutional provision. However, between 1917 and 1920 other measures were adopted: (1) the taxes on oil properties and oil production were increased to the point where companies claimed (without basis in fact) they would be forced to abandon the land; and (2) companies were required to register properties before drilling or producing oil. The joker to this latter provision was that the registration document always contained a provision that eventual ownership would be vested in the government, and it further required a payment of "royalties" to the government. Since payment of royalties was in fact admission that the land belonged to the government, the companies protested.

Obregon, to placate the United States, and to win recognition for his government, agreed to compromise, and as a result of Supreme Court decisions and his agreement with the United States (Bucarelli Conference 1923), Mexico did not press her demands retroactively.

But in 1925, Calles obtained the passage of the Petroleum Law, which provided that the companies should have subsoil rights for only 50 years, as concessions. The companies fearing cancellation at a later date of such concessions, opposed the new law, claiming that the substitution of 50 year titles for fee simple titles was in fact confiscation, and illegal under international law. Through the efforts of the U.S., Mexico agreed that the concessions should be perpetual; this agreement lasted ten years. By this time the U.S. owned lands were running dry. When expropriation finally came about, the only loss was the surface equipment. Expropriation resulted from a dispute over labor (March 1938). Increased salaries and benefits were demanded along with union control over the management of the properties. To forestall shutdown after a Supreme Court ruling against the companies, the government took over the properties. The Mexican people hailed the expropriation as a great victory for the nation over foreign imperialism. Compensation to U.S. companies was eventually agreed upon in 1941 at $24 million; $150 millions had been claimed.

BOLIVIA

In the Bolivian tin industry private enterprise was faced with obstacles of all types; the ores could be produced and processed only at high costs, and the government had maintained heavy and uncertain tax policies. The result was increased prices for tin in the world markets. In the early months of 1952, inability to sell tin to the United States at the Bolivian price forced the closing of the mines. The resulting misery and unrest presented an opportunity for a coup in the government.

In April, 1952, the new government took over; nationalization of tin was promised, and the new government stated it "would run Bolivia's economy for the Bolivians and not for the three exploiters

living abroad," meaning the three companies, Patino, Aramayo, and Hochschild. In May, a commission was set up to find ways to nationalize the industry. On October 7, the mines were seized and a government corporation was set up to exploit the mines.

Although the mines were valued at $60 millions, only $21,725,000 was offered. The government contended that the companies had evaded taxes and entered into illegal exchange activities in the amount of $520 millions.

The action of the United States (one third of the mines were interests of United States investors) in face of the expropriation was to employ a boycott against Bolivian tin. In spite of a December 18 threat of "another Iran," the United States stated that it would continue a policy against purchase until Americans were compensated. Although on January 16 the United States did purchase Bolivian tin, it was not until June that a satisfactory compensation formula was worked out. After that date the United States resumed regular tin purchases in Bolivia. In October, 1953, the economic situation in Bolivia was such that an expanded emergency U.S. aid program (grants) to Bolivia was initiated.

GUATEMALA

The most recent case of nationalization and expropriation occurred in Guatemala. In February, 1953, agrarian reform laws gave the Government the authority to distribute uncultivated acreage to landless peasants. In implementing the program, 225,000 acres of the (US) United Fruit Company Pacific holdings were expropriated. At the request of the Company, the Supreme Court of Guatemala granted an injunction to halt the land expropriation. At once four justices were removed from office, after which the Government went ahead with its program. On August 13, 173,949 acres of the Atlantic holdings of the same company were expropriated.

The United States Government protested to Guatemala on August 28 because the compensation offered was entirely inadequate — $600,000 in 25 year 3% agrarian bonds for holdings valued at sixty million dollars. Also, rejected was Guatemala's contention that the seizure was sanctioned by a 1952 resolution in the United Nations on development of natural resources. The case has not been finally settled and it is probable that Guatemala will find it difficult to obtain needed U.S. loans or capital until just indemnification is agreed upon.

COLOMBIA

In 1943 Colombia expropriated foreign owned public utilities of all kinds.

URUGUAY

In 1935 Uruguay took over International Telephone and Telegraph properties.

ARGENTINA

In 1943 and 1944, Argentina took over street car and electric company enterprises. In 1946, I.T. & T. subsidiary holdings were forced to sell out to the government. The Port of Rosario was taken over from a French concern in 1945; the British owned Buenos Aires gas company and the street railway company were taken over later. Usually the reason advanced was highly inefficient operation, extortionate rates, and inadequate equipment.

BRAZIL

Brazil took over rail properties from British and United States interests.

BOLIVIA

In 1937 Bolivia took over a Standard Oil of New Jersey subsidiary, charging illegal export of oil. Final payment was made in 1942 (10% of 1937 plant value), at a time when Bolivia desired a loan from the United States.

CHILE

In 1939, Chile took over an oil refining and oil distributing system owned by a Royal Dutch Shell subsidiary. The properties were turned over to a government monopoly. At the same time three street car subsidiaries were purchased from the U.S. owners and other foreign interests.

NATIONALIZED INDUSTRY IN SELECTED COUNTRIES (1949)
(% Indicated)

	Argentina	Brazil	Chile	Mexico
Transportation				
Rail	100	67	65	77
Capital Transit	100	0	100	0
Air	100	0	90	0
Coast Ship	80	50	14	-
Foreign Ship	100	50	0	50
Ports	100	50	100	100
Storage Facilities	100	-	-	-
Communications				
Telephone	90	0	0	5
Telegraph	100	100	70	100
Fuel and Power				
Petroleum:				
Production	67	100	100	100
Refining	57	6	-	100
Distribution	50	0	0	100
Gas:				
Production	97	1	1	100
Distribution	97	1	1	-
Power Production	1	1	28	10
Banking				
Loans	80	45	20	45
Insurance				
Domestic	0	0	0	2
Reinsurance	50	-	0	0
Gambling	100	100	-	100

INCOME PER CAPITA IN U. S. DOLLARS
(1949)

Under $100	Dominican Republic Ecuador Paraguay
$100-200	Brazil Chile Colombia Mexico Peru Surinam
$200-300	Cuba
$300-450	Argentina Uruguay
$450-600	Venezuela
$1453	U. S.

Taken from:

National Income and its Distribution in Under-Developed Countries - United Nations, N. Y., 1951

RAW MATERIALS REQUIRED FOR UNITED STATES

COMPLETE OR VIRTUAL DEPENDENCE ON FOREIGN SOURCES

	Latin American Source
Chromite	Cuba
Ferro Manganese	Cuba, Mexico, Brazil
Nickel	Brazil
Platinum	Colombia
Tin	Bolivia
Industrial Diamonds	Venezuela, Brazil
Quartz crystals	Brazil (99% of world's supply)
Asbestos	Bolivia
Cobalt	No known source in Latin America; but U. S. sources are improving
Graphite	Mexico

PARTIAL DEPENDENCE ON FOREIGN SOURCES -- ACTUAL OR IMPENDING

	Latin American Source
Arsenic	Mexico, Brazil, Peru
Cadmium	Mexico
Iron Ore	Venezuela, Brazil, Chile
Mercury	Mexico
Titanium	Brazil
Zinc	Mexico, Argentina, Bolivia, Peru
Bismuth	Mexico, Bolivia
Copper	Mexico, Bolivia, Chile (1/6th of Free World Prod. 1950) Peru
Lead	Mexico, Argentina, Bolivia, Peru, Brazil
Tantalum	Small amounts, Brazil, Argentina
Tungsten	Bolivia

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The following list contains those metals for which there is little hope that U. S. can improve its position for domestic supply:

Mineral	Latin American Source
Antimony	Mexico, Bolivia, Peru
Vanadium	Peru
High grade bauxite	Brazil, Guianas
Strategic Mica	Argentina

MAJOR MINERALS IMPORTED FROM LATIN AMERICA 1950

	% of U.S. Consumption IMPORTED	% of U. S. Consumption From Latin America	Canada & Mexico
ANTIMONY	43.5	17	-
BAUXITE	57.9	47.5	-
CHROMITE	89.6	7.4	-
MANGANESE	81.5	9	-
NICKEL	92.3	-	90.1
TIN	81.8	11	-
TUNGSTEN	80.3	15.8	-
ZINC	33.1	-	29.5
BERYL	-	56	-

UNITED STATES TRADE WITH LATIN AMERICA 1951: (THOUSANDS)

	Exports	Imports	Major Items Import
Argentina	285236	203190	Wool, hides, canned meat
Bolivia (1950)	23596	62738	tin, lead, zinc
Brazil	841202	861317	coffee
Chile	181185	193129	nitrates, copper
Colombia	242288	358996	coffee, crude pet (10%)
Costa Rica	36662	29571	coffee, bananas
Cuba	492222	417401	sugar, tobacco,
Dominican Rep	31366 (1950)	42487 (1951)	coffee, cacao
Ecuador	35546	30804	bananas, coffee, cacao
ElSalvador	40176	73699	coffee
Guatemala	54300	76085	coffee, bananas (8%)
Haiti	32044	28899	coffee, sisal
Honduras	29224	20102	bananas, coffee, silver
Mexico	638154	443548	fish, coffee, raw cotton, petroleum, copper, lead, cadmium, antimony
Nicaragua	21647	24796	coffee, gold, seed
Panama	46329	10171	bananas, abaca fiber
Paraguay	4314	6796	veg oils, quebracho
Peru	105908	44542	fish, sugar, raw cotton lead, silver, copper metal concentrates
Uruguay	89599	102442	canned beef, hides, wool
Venezuela	432421	277593	petroleum (90%), coffee, cacao

FOREIGN SOURCES OF MINERAL SUPPLIES OF THE U. S. 1943

ANTIMONY	Bolivia, Mexico, Peru
ASBESTOS	Canada, South Africa
BAUXITE	Surinam, British Guiana
CADMIUM	Belgian Congo, Peru (22%)
COPPER	Chile (68%), Belgian Congo, Mexico, Peru
INDUSTRIAL DIAMONDS	South Africa (70%), Belgian Congo (20%)
GRAPHITE	Mexico (75%), Madagascar
KYANITE	India
LEAD	Mexico (70%), Australia, Peru, Africa
MANGANESE	India, Brazil, Gold Coast, Cuba, South Africa
MERCURY	Mexico, (63%), Canada (30%)
MICA	India (70%), Canada, Brazil
NICKEL	Canada (90%), New Caledonia
PLATINUM	Canada (75%), Colombia, U.S.S.R.
QUARTZ CRYSTALS	Brazil
TANTALITE	Brazil (60%), Belgian Congo
TIN	Bolivia (50%), Belgian Congo (46%)
TUNGSTEN	Bolivia, Argentina, Brazil, China (40%)
VANADIUM	Peru (73%), South Africa (25%)
ZINC	Mexico (35%), Australia, Canada